

INTRODUCTION: Exchange Stabilization Fund

To stabilize the exchange value of the dollar, the Exchange Stabilization Fund (ESF) was established under the Gold Reserve Act of January 30, 1934 (31 U.S.C. 822a), which authorized establishment of a Treasury Department fund to be operated under the exclusive control of the Secretary, with approval of the President.

Subsequent amendment of the Gold Reserve Act modified the original purpose somewhat to reflect termination of the fixed exchange rate system.

Resources of the fund include dollar balances, partially invested in U.S. Government securities, *special drawing rights* (SDRs), and balances of foreign currencies. Principal sources of income (losses) for the fund are profits (losses) on SDRs and foreign exchange, as well as interest earned on assets.

Table **ESF-1** presents the assets, liabilities, and *capital* of the fund. The figures are in U.S. dollars or their equivalents based on current exchange rates computed according to the accrual method of accounting. The capital account represents the original capital appropriated to the fund by Congress of \$2 billion, minus a subsequent transfer of \$1.8 billion to pay for the initial U.S. quota subscription to the *IMF*. Gains and losses are reflected in the cumulative net income (loss) account.

Table **ESF-2** shows the results of operations by quarter. Figures are in U.S. dollars or their equivalents computed according to the accrual method. "Profit (loss) on foreign exchange" includes realized profits or losses on currencies held. "Adjustment for change in valuation of *SDR holdings and allocations*" reflects net gain or loss on revaluation of SDR holdings and allocations for the quarter.

TABLE ESF-1.—Balances as of Sept. 30, 1995, and Dec. 31, 1995

[In thousands of dollars. Source: Office of the Secretary of the Treasury]

Assets, liabilities, and capital	Sept. 30, 1995	Sept. 30, 1995, through Dec. 31, 1995	Dec. 31, 1995
Assets			
U.S. dollars:			
Held at Federal Reserve Bank of New York . .	1,982,928	-1,416,859	566,069
Held with Treasury:			
U.S. Government securities	416,571	1,954,575	2,371,146
Special drawing rights ¹	11,035,224	1,578	11,036,802
Foreign exchange and securities: ²			
German marks	6,795,135	43,285	6,838,420
Japanese yen.	10,509,319	-433,866	10,075,433
Mexican pesos.	11,500,000	-350,000	11,150,000
Accounts receivable	396,720	-2,854	393,866
Total assets	42,635,897	-204,161	42,431,736
Liabilities and capital			
Current liabilities:			
Accounts payable.	54,341	-2,457	51,884
Total current liabilities.	54,341	-2,457	51,884
Other liabilities:			
Special drawing rights certificates	10,168,000	-	10,168,000
Special drawing rights allocations	7,380,255	-97,178	7,283,077
Total other liabilities	17,548,255	-97,178	17,451,077
Capital:			
Capital account	200,000	-	200,000
Net income (loss) (see table ESF-2)	24,833,301	-104,526	24,728,775
Total capital	25,033,301	-104,526	24,928,775
Total liabilities and capital	42,635,897	-204,161	42,431,736

See footnotes on the following page.

TABLE ESF-2.—Income and Expense

[In thousands of dollars. Source: Office of the Secretary of the Treasury]

	Current quarter Oct. 1, 1995, through Dec. 31, 1995	Fiscal year to date Oct. 1, 1995, through Dec. 31, 1995
Income and expense		
Profit (loss) on:		
Foreign exchange	-449,353	-449,353
Adjustment for change in valuation of SDR holdings and allocations ¹	-49,225	-49,225
Interest (net charges) on:		
Special drawing rights	39,840	39,840
U.S. Government securities	37,892	37,892
Foreign exchange	316,320	316,320
Income from operations	-104,526	-104,526
Net income (loss)	-104,526	-104,526

¹ Beginning July 1974, the International Monetary Fund (IMF) adopted a technique for valuing the special drawing rights (SDRs) based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and allocations are valued on this basis beginning July 1974.

² Excludes foreign exchange transactions for future and spot delivery.

Note.—Annual balance sheets for fiscal years 1934 through 1940 appeared in the 1940 "Annual Report of the Secretary of the Treasury" and those for succeeding years appeared in subsequent reports through 1980. Quarterly balance sheets beginning with Dec. 31, 1938, have been published in the "Treasury Bulletin." Data from inception to Sept. 30, 1978, may be found on the statements published in the January 1979 "Treasury Bulletin."